

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 CAB-02 COME-00 DOTE-00 EB-07 FAA-00 LAB-04

SIL-01 IO-11 ACDA-05 /089 W
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P R 021756Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6133

INFO USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ANKARA

AMCONSUL ISTANBUL

AMEMBASSY BERN

AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 01 OF 02 BONN 01778

E.O. 11652: GDS

TAGS: EAIR, WB, US, FR, UK, TR, GW, GE, SZ

SUBJECT: WEST BERLIN TURKISH WORKER FLIGHTS

REF: A. USBERLIN 152 B. BONN 20256, 12-15-75

C. STATE 173332,/ 8-8-74 D. STATE 146934, 7-8-74

1. SUMMARY: PAA HAS PROPOSED A SCHEDULED SERVICE TO
REPLACE PRESENT WEST BERLIN TURKISH CHARTERS. SINCE
IDEA WOULD REQUIRE SOME FORM OF REVENUE GUARANTEE FROM
SENAT/FRG SOURCES, PAA REPS HAVE ALREADY DISCUSSED
MATTER WITH WEST BERLIN TRANSPORT SENATOR WHO FAVORED
THE SCHEME IN PRINCIPLE. EVENTUAL INTRODUCTION OF
THE SERVICE WOULD VERY LIKELY REQUIRE ACCOMODATING
TURKISH INTERESTS IN RETAINING A MARKET SHARE FOR THY'S
SCHOENEFELD SERVICES. SIMILARLY, THE PRICE OF BRITISH
CONCURRENCE COULD INCLUDE GRANTING BA RIGHTS FOR AN
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ADDITIONAL INTERNATIONAL SERVICE FROM BERLIN. THE

POSSIBILITY OF GERMAN SUBSIDY IS ALSO UNCERTAIN, ALTHOUGH WE COULD SEE SEVERAL REASONS WHY THE FRG MIGHT BE FORTHCOMING. ON BALANCE, WE THINK PAA'S PROPOSAL WARRANTS OUR SUPPORT. ACTION REQUESTED: DEPARTMENT'S AND INTERESTED POST'S VIEWS SOONEST. END SUMMARY.

2. PAA DIRECTOR RUNNETTE TOLD US LAST WEEK THAT IN CONSIDERING MEANS OF COMPETING MORE EFFECTIVELY WITH THY'S SCHOENEFELD TURKISH FLIGHTS HIS RATE EXPERTS WERE INCLINING TOWARD INTRODUCING A SCHEDULED SERVICE RATHER THAN AN ADVANCED BOOKING CHARTER FORMAT. DURING A JAN. 29 LUNCHEON IN BERLIN WITH EMB CAA AND USBER OFF, PAA OFFICIAL GALLAGHER ELABORATED ON THE PROPOSAL, POINTING OUT A SCHEDULED SERVICE WOULD ELIMINATE THE WEST BERLIN TURKISH ORGANIZERS WHO WERE KEEPING THE PRICE FOR TEGEL DEPARTURES AT UNCOMPETITIVE LEVELS. AT THE SAME TIME, THE SUPPLEMENTALS (DAN AIR, LAKER AND AEROAMERICA) WOULD VERY LIKELY BE FORCED OUT OF THE MARKET.

3. GALLAGHER SAID PAA THOUGHT IN TERMS OF BEGINNING WITH TWO SERVICES A WEEK WITH A DM 375 ROUND TRIP FARE -- THE SAME AS THY CHARGES FROM SCHOENEFELD. SINCE WITH A SCHEDULED SERVICE THE RISK WOULD BE SHIFTED FROM THE ORGANIZER TO THE CARRIER, PAA INTENDED TO APPROACH THE SENAT REQUESTING THAT A SUBSIDY PAYMENT OR REVENUE GUARANTEE BE MADE AVAILABLE FOR FLIGHTS NOT YIELDING A MINIMUM REVENUE LEVEL TO BE SET BY THE CARRIER. ALTHOUGH GALLAGHER GAVE NO FURTHER DETAILS, BASED ON OUR EARLIER CALCULATIONS WE WOULD ASSUME PAA WOULD REQUIRE MINIMUM REVENUE OF DM 33,250 PER FLIGHT MEANING A SUBSIDY PAYMENT WOULD HAVE TO BE MADE WHENEVER THE AIRCRAFT WAS LESS THAN 75 PERCENT FULL. (THIS RESULT ALSO ASSUMES A 7.5 PERCENT AGENT'S COMMISSION OR A YIELD OF DM 348 PER PASSENGER.)

4. AS A FIRST STEP GALLAGHER DISCUSSED THE PROPOSAL WITH THE SENATOR FOR TRANSPORT LIEHR ON JAN. 30, IN ORDER TO SOUND OUT THE POSSIBILITY OF OBTAINING A SUBSIDY.
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ACCORDING TO GALLAGHER LIEHR'S RESPONSE WAS VERY FAVORABLE AND HE UNDERTOOK TO EXPLORE THE SUBSIDY QUESTION WITH HIS COLLEAGUES ON AN URGENT BASIS. WE TOLD PAA REPS THAT THE SCHEME OFFERED INTERESTING POSSIBILITIES FOR A PERMANENT RESOLUTION OF THE TURKISH WORKER FLIGHT PROBLEM AND EXPANDING WEST BERLIN'S SCHEDULED AIR LINKS. AT THE SAME TIME THERE WERE A NUMBER OF PROBLEMS TO BE OVERCOME BEFORE SUCH A

SERVICE COULD BE INTRODUCED.

5. COMMENT: WE SEE THREE PROBLEM AREAS INVOLVED IN
PAA'S PROPOSAL:

A. WE WOULD EXPECT THE GOT TO STRIKE A REASONABLY HARD
BARGAIN IN RETURN FOR GRANTING LANDING RIGHTS TO A
SCHEDULED SERVICE. ALTHOUGH WE WOULD HAVE GAINED SOME
LEVERAGE FROM GRANTING THY LANDING RIGHTS AT TEGEL,
THE GOT WOULD UNDOUBTEDLY WANT TO ENSURE THAT THY

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 01778

RETAINS A SHARE OF THE TURKISH MARKET FOR ITS SCHOENE-
FELD SERVICES. IT APPEARS LIKELY, THEREFORE, THAT
TURKISH LANDING RIGHTS FOR A SCHEDULED SERVICE AT
ISTANBUL OR ANKARA WOULD INVOLVE SOME KIND OF PAA - THY

MARKET SHARING ARRANGEMENT. WITH
OUR GUESS WOULD BE THAT CHANCES OF GAINING GOT COOPER-
ATION WOULD BE FAIRLY FAVORABLE.

B. THE BRITISH MIGHT WELL TAKE A STRONGLY NEGATIVE
POSITION ON PAA'S PROPOSAL SINCE IT WOULD IN ALL
LIKELIHOOD ELIMINATE THE TWO BRITISH SUPPLEMENTALS
FROM THE MARKET (AS WELL AS AEROAMERICA) GIVEN THE
SERIOUSNESS WITH WHICH WEST BERLIN AUTHORITIES VIEW
THE TURKISH FLIGHT SITUATION, HOWEVER, WE SUSPECT THE
BRITISH WOULD COME UNDER CONSIDERABLE POLITICAL PRESSURE
TO ACQUIESCE IN A PAA SCHEDULED SERVICE. IT SHOULD BE
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RECALLED, HOWEVER, THAT BA AND PAA AGREED IN 1974
(SEE REF D) THAT THE EXPANSION OF THE BERLIN SERVICES
TO THIRD COUNTRY DESTINATIONS WOULD BE PURSUED ON A
JOINT BASIS. WE WOULD EXPECT, THEREFORE, THAT AS A
PRICE FOR CONCURRING IN PAA'S TURKISH SERVICE, THE
BRITISH MAY WELL WANT SOMETHING FOR BA -- PERHAPS
EXCLUSIVE RIGHTS TO A ZURICH SERVICE (PAA DIRECTOR
RUNNETTE TOLD US RECENTLY BA REPS HAD MENTIONED THE
POSSIBILITY OF REOPENING THE ZURICH QUESTION).

C. GERMAN RESPONSE TO THE NEED FOR SENAT/FRG FINANCIAL
PARTICIPATION IN A TURKISH SCHEDULED SERVICE IS LIKEWISE
UNCERTAIN. AGAIN, GIVEN THE AMOUNT OF POLITICAL
STEAM BEING GENERATED IN BERLIN ON THIS ISSUE, SOME
ARRANGEMENT FOR FINANCIAL SUPPORT OF THE SERVICE MIGHT
APPEAR TO THE GERMANS AS THE BEST COURSE OF ACTION,
PARTICULARLY SINCE A REVENUE GUARANTEE RATHER THAN A
STRAIGHT SUBSIDY WOULD BE INVOLVED. SUCH AN ARRANGEMENT
COULD, HOWEVER, IMPACT ON THE POSSIBILITY OF EVENTUALLY
GAINING AN INCREASED FRG SUBSIDY FOR THE IGS, ASSUMING
ANY SUCH POSSIBILITY EXISTED.

6. IN WEIGHING THE ABOVE CONSIDERATIONS OUR INITIAL
CONCLUSION IS THAT PAA'S PROPOSAL WARRANTS OUR SUPPORT.
AT THE VERY LEAST THE SCHEME SHOULD BE WELCOMED BY WEST
BERLIN AND THE FRG AS ONE POSSIBLE SOLUTION (OFFERED BY
A U.S. CARRIER) TO THE LONG-STANDING AND VERY POLITI-
CIZED TURKISH FLIGHT PROBLEM. AT THE SAME TIME WE
THINK IT USEFUL TO INTRODUCE INTO OUR BERLIN CIVIL AIR
RELATIONS WITH THE BRITISH AN ISSUE OF THIS TYPE IF
ONLY TO DEMONSTRATE PAA'S COMMERCIAL INTERESTS AND
WEST BERLIN'S POLITICAL REQUIREMENTS CANNOT BE IGNORED
TOTALLY SUCH AS WAS THE CASE IN THE LONDON CHARTER
QUESTION. IN THE LAST ANALYSIS, PAA WILL HAVE TO BE
THE JUDGE OF HOW MUCH IT IS WILLING TO PAY TO GAIN
BRITISH CONCURRENCE. A SOLUTION COULD, OF COURSE,
INCLUDE AT LEAST ONE NEW BERLIN INTERNATIONAL SERVICE
FOR BA AND A DEFINITE EXCLUSION FROM THE LONDON CHARTER

MARKET WHICH IN ANY CASE MAY BE LOST ALREADY.
WE OF COURSE RECOGNIZE THAT AEROAMERICA'S INTERESTS
MIGHT WELL HAVE TO BE SACRIFICED. ALTHOUGH REGRETTABLE,
WE THINK IT PROBABLY JUSTIFIED, GIVEN THIS CARRIER'S
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RELATIVELY SLIGHT PARTICIPATION IN THE TURKISH WORKER
MARKET, AND THE OVERRIDING POLITICAL AND COMMERICAL
CONSIDERATIONS INVOLVED. AS A LAST CONSIDERATION, A
NEW INTERNATIONAL SERVICE MIGHT TRIGGER ANOTHER ROUND
OF SOVIET PROTESTS SIMILAR TO THAT OCCURRING WHEN A
ZURICH SERVICE APPEARED IN THE OFFING. WE, HOWEVER,
SEE NO REASON WHY THIS SHOULD DISSUADE US FROM PROCEEDING
ON PAA'S PROPOSAL.

7. SINCE WE WOULD EXPECT PAA'S INTENTIONS TO LEAK TO
THE PRESS FAIRLY SOON, WE THINK WE SHOULD NOW FORMALLY
TABLE AN APPLICATION FOR A SCHEDULED TURKISH SERVICE
IN THE CAA FORUM ASAP. ACTION REQUESTED: DEPARTMENT'S
AND INTERESTED POST'S VIEWS SOONEST.
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